



## DAILY BONDS, STOCKS, & CURRENCY COMMENTARY

Tuesday January 24, 2017

### BONDS COMMENTARY

01/24/17

**A minor downward tilt to start today but expect a 9:00 bounce**

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT):

**BONDS -140**

We are not surprised to see bonds and notes under pressure to start the trade today as favorable Japanese manufacturing PMI data, the strongest German manufacturing PPI result in three years and an increase in UK public sector borrowing all point to positive forward movement in the global economy. It goes without saying that strength across the board in international equity markets overnight also creates a risk on environment that in turn prompts traders to exit long treasury positions. However weakness in treasuries might be truncated rather quickly in the event that US existing home sales later today come in weak as expected by the trade. It should be noted that the trade is expecting US flash manufacturing PMI readings to post a modest uptick early on. With weekly chain store sales figures and the flash manufacturing PMI readings due out prior to the existing home sales readings it is possible that bonds and notes will drift even lower before recovering off the second data window. While the positive track in equities might be short-lived in the face of potential political rumble strips the initial impact of the global equity market action could facilitate a slide back toward last week's close of 149-30 in March bonds. In other words the initial bias is down today the trade should be on guard against fresh news flow from Washington and therefore treasury traders need to keep an eye on the ebb and flow of the US stock markets. With some of the Trump nominees confirmed and others expected to be confirmed directly ahead that could be seen as a development that lowers safe haven demand for treasuries and it could also contribute to a risk on vibe. The North American session will start out with a private survey of weekly same-store sales, followed by the January Markit "flash" manufacturing PMI reading that is expected to see a modest uptick from December's 54.3 reading. December existing home sales are forecast to see a moderate downtick from November's 5.61 million annualized rate, while the Richmond Fed manufacturing index will also be released today.



#### TODAY'S MARKET IDEAS:

As suggested already we think the path of least resistance is pointing downward today initial downside targeting and March bonds is seen at 151-05. Downtrend channel resistance in March bonds today is seen at 152-08 with similar downtrend channel resistance in March notes seen at 124-30. Ultimately today's data doesn't appear to be poised to send treasury prices reeling sharply back down to last week's lows in fact after some early modest selling the existing home sales report might present a short-term buying opportunity. In fact our pick for a buying low in March bonds today is the 151-05 level. Traders should continue to respect the note market as it continues to hold a historically large net spec and fund short and that positioning was probably built back up with the slide from the January 17th mark off of the commitments of traders report. In other words if there is cause for a sudden distinct shift to a bullish environment in treasuries we would expect the T-Note market to outperform the bond market.

#### NEW RECOMMENDATIONS:

None.

#### PREVIOUS RECOMMENDATIONS:

None.

## BONDS TECHNICAL OUTLOOK:

Note: Technical commentary is based solely on statistical indicators and does not necessarily correspond to any fundamental analysis that may appear elsewhere in this report.

**BONDS (MAR) 01/24/2017:** Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. With the close over the 1st swing resistance number, the market is in a moderately positive position. The next downside objective is 149-260. The next area of resistance is around 152-260 and 153-190, while 1st support hits today at 150-300 and below there at 149-260.

**10 YR TREASURY NOTES (MAR) 01/24/2017:** Declining momentum studies in the neutral zone will tend to reinforce lower price action. The cross over and close above the 18-day moving average indicates the intermediate-term trend has turned up. The market's close above the 2nd swing resistance number is a bullish indication. The next downside objective is now at 123-275. The next area of resistance is around 125-065 and 125-160, while 1st support hits today at 124-125 and below there at 123-275.

## STOCKS COMMENTARY

01/24/17

### The NASDAQ edge to continue again today

#### OVERNIGHT CHANGES THROUGH 6:05 AM (CT): S&P 500 -80

Global equity markets were higher across the board in a move that was largely characterized as a relief bounce following political news from the prior trading session. We suspect that global equities derived some fresh investment interest from a flurry of favorable international scheduled economic data overnight. With a three year high in German manufacturing PMI figures overnight the slight contraction in overall euro zone PMI readings is discounted. The equity markets were probably held back slightly by news of an accounting scandal at BT and the markets were also undermined off news that Phillips missed their fourth-quarter forecast because of a dispute with a medical device. Despite the initial risk on vibe the US stock market continues to lack consistently positive psychology in an environment might continue to be uncertain until the new administration completes its initial salvo of executive orders. It does appear as if the confirmation process is progressing and that could keep down geopolitical angst. However as suggested a number of times over the last week the stock market bulls need a laser like focus on tax cuts and infrastructure spending which in turn improves forward growth forecast in order for prices to come out of the last 40 days consolidation to the upside. Earnings announcement will include Johnson & Johnson, Alibaba, Verizon, 3M and DuPont before the Wall Street opening while Texas Instruments and Canadian National Railway report after the close.



**S&P 500:** As suggested already the E-mini S&P continues to lack definitive direction as it waffles within a range defined as 2272.75 and 2251.75. Some might even suggest that the pattern since January 6th is a slow erosion of prices which in turn mirrors a slow deterioration of optimism toward 2017. On the other hand we do think the 2250.00 level is a fairly solid value/support zone but to leave behind the last 40 days consolidation to the upside probably requires specifics on tax reform and evidence that infrastructure spending efforts are getting underway and will be supported by both parties. Traders might play a breakout range today with the upper level bound by 2271.80 and the downside bound by 2252.30.

**Other US Indexes:** The March mini Dow has waffled around a critical pivot point of 19,745 the last five trading sessions but it also hasn't clearly thrown off the erosive pattern in prices seen since January 6th. Downtrend channel resistance today comes in at 19,813 and solid support might not be seen until 19,669. As in the rest of the market the mini Dow needs political headlines to center on pro-growth policies and less on political sniping to reverse what has become a January slide. The NASDAQ continues to be the strongest performing sector of the market with the best looking chart. The index probably garners some spillover support from news that SAP

upwardly revised their multiyear guidance. Uptrend channel support in the index today comes in at 5036.90 and that uptrend channel support line comes in at 5043.60 on Wednesday. With a modest risk on vibe in place early today we see no reason to call for an end to the January rally in the NASDAQ. On the other hand we are mindful of the continued diversions with the rest of the marketplace.

**TODAY'S MARKET IDEAS:**

As suggested already the E-mini S&P has been unable to track with the positively biased NASDAQ and that is probably the result of tech sector stocks ability to garner bigger profits from slow and gradual recovery. If it weren't for the uncertainty flowing from Washington and the fact that the Trump administration is trying to do too much at one time we would be more bullish toward the entire market. As it stands we see weak buying interest at the 2252.30 level in the March E-mini S&P, but for the bull camp to prevail and for the broad market to breakout up requires tax cut talk to be in a front and center standing without competition from other policy initiatives.

**NEW RECOMMENDATIONS:**

Buy a March E-Mini S&P 2235 put for 28.00. Exit the long put this morning for a 1 point profit as we expect more sideways chop on low volatility.

**PREVIOUS RECOMMENDATIONS:**

None.

**STOCKS TECHNICAL OUTLOOK:**

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S&P E-MINI (MAR) 01/24/2017: Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close below the 9-day moving average is a negative short-term indicator for trend. It is a slightly negative indicator that the close was lower than the pivot swing number. The next downside target is now at 2244.94. The next area of resistance is around 2269.62 and 2276.43, while 1st support hits today at 2253.88 and below there at 2244.94.

MINI-DOW (MAR) 01/24/2017: Momentum studies trending lower at mid-range should accelerate a move lower if support levels are taken out. The market's short-term trend is negative as the close remains below the 9-day moving average. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 19623. The next area of resistance is around 19788 and 19832, while 1st support hits today at 19684 and below there at 19623.

E-MINI NASDAQ (MAR) 01/24/2017: The daily stochastics gave a bearish indicator with a crossover down. Momentum studies are trending lower from high levels which should accelerate a move lower on a break below the 1st swing support. The close above the 9-day moving average is a positive short-term indicator for trend. The upside closing price reversal on the daily chart is somewhat bullish. The close over the pivot swing is a somewhat positive setup. The next downside target is now at 5017.38. The next area of resistance is around 5083.50 and 5096.37, while 1st support hits today at 5044.00 and below there at 5017.38.

MINI-RUSSELL 2000 (MAR) 01/24/2017: Momentum studies are declining, but have fallen to oversold levels. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The market setup is somewhat negative with the close under the 1st swing support. The next downside objective is 1331.2. The next area of resistance is around 1355.0 and 1362.8, while 1st support hits today at 1339.2 and below there at 1331.2.

**DAILY TECHNICAL STATISTICS**

CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW	14 DAY SLOW	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
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FINANCIAL COMPLEX										
USAAH7	151-280	53.25	52.10	64.36	56.27	151.44	152.14	151.47	150.76	152.81
TYAAH7	124-255	56.47	53.72	64.76	58.97	124.48	124.71	124.43	124.31	125.31
SPA7	2262.00	51.35	55.48	75.11	71.74	2264.03	2265.44	2260.79	2237.46	2209.33
EPH7	2261.75	51.60	55.62	74.22	71.13	2263.75	2265.31	2260.54	2237.41	2209.35
TFEH7	1347.1	42.22	46.61	31.18	23.90	1350.45	1359.11	1362.21	1355.32	1321.58
ENQH7	5063.75	69.74	66.30	91.57	91.54	5058.50	5050.42	4997.00	4918.25	4879.06
YMH7	19736	48.00	53.78	41.86	37.93	19714.25	19768.00	19790.22	19538.11	19205.67

Calculations based on previous session. Data collected 01/23/2017

Data sources can & do produce bad ticks. Verify before use.

### DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
FINANCIAL COMPLEX						
USAAH7	Bonds	149-250	150-290	151-220	152-260	153-190
TYAAH7	10 Yr Treasury Notes	123-270	124-120	124-215	125-065	125-160
SPA7	S&P 500	2245.75	2254.50	2260.75	2269.50	2275.75
EPH7	S&P E-Mini	2244.93	2253.87	2260.68	2269.62	2276.43
TFEH7	Mini-Russell 2000	1331.2	1339.2	1347.0	1355.0	1362.8
ENQH7	E-Mini NASDAQ	5017.37	5044.00	5056.87	5083.50	5096.37
YMH7	Mini-Dow	19622	19683	19727	19788	19832

Calculations based on previous session. Data collected 01/23/2017

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### CURRENCIES COMMENTARY

01/24/17

**Bad date today probably reverses the early bid in the \$**

**OVERNIGHT CHANGES THROUGH 6:05 AM (CT):  
US DOLLAR +160, YEN -255, SWISS -13, CA DOLLAR -280**

#### Upcoming International Reports (all times CT)

- 01/24 France GDP 12:30 AM
- 01/24 France Manufacturing PMI Fla 2:00 AM
- 01/24 France Services PMI Flash 2:00 AM
- 01/24 Existing Home Sales 9:00 AM
- 01/24 API Energy Stocks 3:30 PM
- 01/24 Japan Trade Balance 5:50 PM
- 01/25 France Business Climate Surv 1:45 AM
- 01/25 German IFO Business Climate 3:00 AM
- 01/25 Swiss ZEW Investor Sentiment 4:00 AM
- 01/25 EIA Energy Stocks 9:30 AM



**DOLLAR:** There would seem to be little reason to call for an end to the erosion in the dollar index in the face of favorable international economic data from Japan, Germany and the UK. There would also seem to be little reason to call for an end to the slide in the dollar off the US political headline track. The bull camp in the dollar has to be disappointed in the lack of a concise uncluttered focus on US growth from the political environment. An issue that might add to the pressure in the dollar this morning is predictions of a softening of US existing home sales report. On the other hand the dollar might be supported early because of weekly chain store sales figures and because of a slight improvement in US flash manufacturing PMI readings. We think the big range down extension and the lowest price in the dollar index since December 8th is largely the result of aggressive US trade policies from the incoming administration. However with Germany posting the strongest manufacturing PMI readings in three years and Japan showing improvement in data overnight it would appear that countries outside of the US are narrowing the macroeconomic differential. With the March dollar index trading well below its 50 day moving average and below downtrend channel resistance today of 1.0105 there is no reason to call for an end to

the slide.

**EURO:** As mentioned already the euro zone came away with mostly supportive schedule data overnight. A very strong German PMI result was at least partially offset by disappointing euro zone PMI data. However with the charts in the euro remaining bullish and the charts in the dollar remaining negative we can't argue against a probe back above 1.08 today or tomorrow. Uptrend channel support in the March euro today is seen at 1.0690.

**YEN:** While the Japanese Yen did manage a higher high for the move overnight and the highest price since November 30th it was unable to hold the brunt of those gains. Even more disappointing for the bull camp is the fact that the Yen has failed to hold gains in the face of favorable Japanese data. A slight bounce in the dollar and a risk on vibe in equities probably undermines safe haven interest for the Yen. On the other hand a week US existing home sales data point later this morning could provide a slight bounce in the Yen. The 50 day moving average in the Yen comes in down at 87.94 today.

**SWISS:** While the Swiss appears to have faltered from an initial push higher this morning we see no reason to call for an end to the upward track. Certainly strong German PMI results and strength in other non-dollar currencies of late pulls off some buying fuel from the Swiss. Uptrend channel support in the March Swiss today is seen at 99.76.

**POUND:** UK public sector borrowing and the UK Prime Minister indicated that she would rely on a vote from Parliament before executing a hard exit should have given the pound a bit of a lift this morning. However the March pound was unable to take out the prior sessions high and it has fallen back to its 50 day moving average which would seem to suggest a near-term top has been put in place. Therefore we suggest that Long's either bank profits or implement tight long profit stops.

**CANADIAN DOLLAR:** While the Canadian managed a three day high overnight it was unable to hold those gains and is currently trading well below its highs for the day. With the Canadian not benefiting from news of an EU - Canada trade pact there is some justification for a corrective setback. However indications from the new US administration that Canada will have a very special status on any NAFTA adjustment should help the March Canadian respect the 75.00 level. It is possible that the Canadian might get a temporary lift off slack US existing home sales results later this morning. The 50 day moving average in the March Canadian comes in today at 74.99 which is right on an even number level.

#### **TODAY'S MARKET IDEAS:**

The Dollar is vulnerable to its scheduled data and perhaps to more harsh/aggressive US trade headlines.

#### **NEW RECOMMENDATIONS:**

None.

#### **PREVIOUS RECOMMENDATIONS:**

None.

#### **CURRENCIES TECHNICAL OUTLOOK:**

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US DOLLAR (MAR) 01/24/2017: Daily stochastics declining into oversold territory suggest the selling may be drying up soon. The market's close below the 9-day moving average is an indication the short-term trend remains negative. The swing indicator gave a moderately negative reading with the close below the 1st support number. The next downside target is now at 99.64. The next area of resistance is around 100.46 and 100.93, while 1st support hits today at 99.82 and below there at 99.64.

EURO (MAR) 01/24/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. With the close over the 1st swing resistance number, the market is in a moderately positive position. The near-term upside target is at 108.1250.

The next area of resistance is around 107.9600 and 108.1250, while 1st support hits today at 107.4400 and below there at 107.0850.

JAPANESE YEN (MAR) 01/24/2017: The crossover up in the daily stochastics is a bullish signal. Studies are showing positive momentum but are now in overbought territory, so some caution is warranted. The close above the 9-day moving average is a positive short-term indicator for trend. The market has a bullish tilt coming into today's trade with the close above the 2nd swing resistance. The near-term upside target is at 89.68. The next area of resistance is around 89.24 and 89.68, while 1st support hits today at 87.95 and below there at 87.10.

SWISS (MAR) 01/24/2017: Rising stochastics at overbought levels warrant some caution for bulls. The close above the 9-day moving average is a positive short-term indicator for trend. The close over the pivot swing is a somewhat positive setup. The next upside objective is 100.83. The next area of resistance is around 100.67 and 100.83, while 1st support hits today at 100.21 and below there at 99.90.

## DAILY TECHNICAL STATISTICS

	CLOSE	9 DAY RSI	14 DAY RSI	14 DAY SLOW STOCH D	14 DAY SLOW STOCH K	4 DAY M AVG	9 DAY M AVG	18 DAY M AVG	45 DAY M AVG	60 DAY M AVG
<b>CURRENCY COMPLEX</b>										
DXAH7	100.14	32.37	38.04	16.91	11.84	100.72	100.97	101.69	101.67	100.90
JYAH7	88.59	63.62	58.23	76.57	79.80	87.92	87.66	86.74	87.47	89.48
EU6H7	107.7000	66.06	60.17	83.42	90.49	107.09	106.75	106.04	106.21	107.21
BPAH7	125.17	64.00	58.16	65.91	82.33	123.90	123.06	123.01	124.37	124.31
CAAH7	75.45	50.36	51.79	63.44	53.59	75.34	75.79	75.27	75.07	74.95
SFAH7	100.44	67.72	61.87	77.51	86.70	99.98	99.58	98.95	99.00	99.84
DAAH7	75.67	78.09	69.77	90.59	94.38	0.75	0.75	0.74	0.74	0.74

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## DAILY SWING STATISTICS

Contract		Support 2	Support 1	Pivot	Resist 1	Resist 2
<b>CURRENCY COMPLEX</b>						
DXAH7	US Dollar	99.63	99.82	100.28	100.46	100.93
JYAH7	Japanese Yen	87.10	87.94	88.39	89.24	89.68
EU6H7	Euro	107.0849	107.4399	107.6050	107.9600	108.1250
BPAH7	British Pound	123.53	124.50	124.86	125.83	126.19
CAAH7	Canadian Dollar	74.85	75.19	75.37	75.71	75.88
SFAH7	Swiss	99.89	100.20	100.36	100.67	100.83
DAAH7	Australian Dollar	75.26	75.48	75.63	75.85	76.00

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